

REPORT
STATE OF LOUISIANA
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
JUNE 30, 2014

STATE OF LOUISIANA
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES

INDEX TO REPORT

JUNE 30, 2014

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 9
FINANCIAL STATEMENTS:	
Statement of Fiduciary Net Position	10
Statement of Changes in Fiduciary Net Position.....	11
Notes to Financial Statements.....	12 - 35
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Changes in Net Pension Liability	36
Schedule of Employers' Net Pension Liability	37
Schedule of Contributions – Employer and Non-Employer Contributing Entity	38
Schedule of Investment Returns	39
Schedules of Funding Progress for Other Post-Employment Benefits Plan.....	40
Notes to Required Supplementary Information.....	41
OTHER SUPPLEMENTARY INFORMATION:	
Statement of Fiduciary Net Position	42
Statement of Changes in Fiduciary Net Position.....	43
Schedule of Per Diem Paid to Trustees	44
Schedule of Investments.....	45
Schedule of Administrative Expenses – Actual and Budget.....	46
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	
	47 - 48
SUMMARY SCHEDULE OF FINDINGS	49 - 50

WILLIAM G. STAMM, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.
GRADY C. LLOYD, III, C.P.A.

HEATHER M. JOVANOVICH, C.P.A.
TERRI L. KITTO, C.P.A.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

MICHAEL J. O'ROURKE, C.P.A.
DAVID A. BURGARD, C.P.A.
CLIFFORD J. GIFFIN, Jr., CPA

A.J. DUPLANTIER JR., C.P.A. (1919-1985)
FELIX J. HRAPMANN, JR., C.P.A. (1919-1990)
WILLIAM R. HOGAN, JR., CPA (1920-1996)
JAMES MAHER, JR., C.P.A. (1921-1999)

INDEPENDENT AUDITOR'S REPORT

December 12, 2014

Board of Trustees of the Municipal Police
Employees' Retirement System and Subsidiaries
7722 Office Park Boulevard, Suite 200
Baton Rouge, LA 70809-7601

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Police Employees' Retirement System and Subsidiaries (System), which comprise the statement of fiduciary net position as of June 30, 2014, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Police Employees' Retirement System and Subsidiaries as of June 30, 2014, and the results of its operations and changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, the total pension liability for Municipal Police Employees' Retirement System was \$2,512,627,665 at June 30, 2014. The actuarial valuations were based on various assumptions made by the System's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2014 could be understated or overstated.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the index be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Municipal Employees Retirement System of Louisiana's financial statements as a whole. The supplementary information as listed in the index is presented for the purposes of additional analysis and is not a part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2014 on our consideration of Municipal Police Employees' Retirement System and Subsidiaries' internal control over financial reporting and on our tests of its compliance with laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting.

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

The Management's Discussion and Analysis of the Municipal Police Employees' Retirement System's ("MPERS") ("the System") financial performance presents a narrative overview and analysis of the Municipal Police Employees' Retirement System's financial activities for the year ended June 30, 2014. Please read this document in conjunction with the financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- * The Municipal Police Employees' Retirement System ended the 2014 fiscal year with \$1.9 billion in net position restricted for pension benefits. This is an increase of \$286 million or 17.9% from the 2013 fiscal year, primarily due to the appreciation in the fair market value of the System's investments.
- * Contributions to the plan by members and employers totaled \$108.2 million, a decrease of \$1.8 million or 1.71% over the prior year. This decrease is due to a net decrease in the number of active plan members.
- * Fund apportioned by the Public Employees' Retirement Systems' actuarial committee from available insurance premiums tax totaled \$16.6 million, an increase of \$.8 million or 5.28% over the prior year.
- * The System experienced a net investment income in the amount of \$296.6 million during the 2014 fiscal year. This is a 54.33% increase from net investment income of \$192.1 million during the 2013 fiscal year. The increase was due primarily to higher market returns due to the current economic climate.
- * Pension benefits paid to retirees and beneficiaries increased by \$8.6 million or 7.26%. This increase is due to large benefits paid to new retirees.
- * DROP and IBO withdrawals increased by 2.1 million or 19.76%. This increase is due to mandatory withdrawals in addition to large withdrawals during the fiscal year.
- * Administrative expenses totaled \$1.4 million, an increase of 17.69%. The cost of administering the system per member during 2014 was \$118.97 per individual compared to \$104.87 per individual in 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

The System's basic financial statements were prepared in conformity with GASB Statement No. 67, *Reporting for Pension Plans* and include the following: (1) statement of fiduciary net position, (2) statement of changes in fiduciary net position, and (3) notes to the financial statements.

The *Statement of Fiduciary Net Position* report the System's assets, liabilities and the resultant net position restricted for pension benefits. They disclose the financial position of the System as of June 30, 2014 and 2013, respectively.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The *Statements of Change in Fiduciary Net Position* report the results of the System's operations during the year, disclosing the additions to and deductions from the fiduciary net position. They support the change that has occurred to the prior year's net position on the statement of fiduciary net position.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the financial statements. The notes begin on page 12.

Required Supplementary Information consists of four schedules and related notes concerning changes in net pension liability, employers' net pension liability, employer and non-employer contributing entity contributions, and the money-weighted rate of return on investments. It also includes the schedule of funding progress for the Other Post-Employment Benefits ("OPEB") trust.

The *Supporting Schedules* section includes the Statements of Fiduciary Net Position and Changes in Net Fiduciary Position by Fund and the schedules of investments, board compensation, and administrative expenses.

FINANCIAL ANALYSIS

MPERS' financial position is measured in several ways. One way is to determine the fiduciary net position (difference between total assets and total liabilities) available to pay benefits. Over time, increases and decreases in the MPERS fiduciary net position indicates whether its financial health is improving or deteriorating. The following table represents a condensed version of MPERS Statement of Fiduciary Net Position and Statement of Changes in Net Fiduciary Position.

Condensed Comparative Statements of Fiduciary Net Position

	<u>2014</u>	<u>2013</u>
Cash	\$ 24,569,760	\$ 28,357,679
Receivables	13,825,808	17,173,628
Investments	1,851,933,056	1,571,665,057
Securities Lending Collateral Held	86,575,755	205,648,697
Capital Assets	2,160,394	2,233,526
Other Assets	8,219	6,000
Total Assets	<u>\$ 1,979,072,992</u>	<u>\$ 1,825,084,587</u>
 Accounts Payable & Other Liabilities	 \$ 5,477,774	 \$ 11,741,713
Securities Lending Obligations	86,575,755	212,810,095
Total Liabilities	<u>\$ 92,053,529</u>	<u>\$ 224,551,808</u>
 Net Position Restricted for Benefits	 <u>\$ 1,887,019,463</u>	 <u>\$ 1,600,532,779</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS (Continued)

Net position is restricted in use to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries. The 17.9% year over year increase was a result of the increase in the value of investments due to favorable market conditions.

Condensed Comparative Statement of Changes in Fiduciary Net Position

	<u>2014</u>	<u>2013</u>
Additions:		
Employer Contributions	\$ 82,259,694	\$ 83,635,357
Employee Contributions	25,922,508	26,428,188
Insurance Premium Taxes	16,628,926	15,794,377
Net Investment Income	296,576,890	192,175,020
Other Income	453	93,238
Total Additions	421,388,471	318,126,180
Deductions:		
Retirement Benefits	114,361,996	107,887,718
DROP/IBO Withdrawals	12,986,778	10,843,924
Refunds of Contributions	4,503,123	3,849,552
Net Transfers to/from Other Systems	1,520,751	322,889
Administrative Expenses	1,381,703	1,222,084
Other Post-Employment Benefits	65,843	47,733
Depreciation Expense	81,593	81,504
Total Deductions	134,901,787	124,255,404
Net Increase in Net Position	286,486,684	193,870,776
Net Position Restricted for Pension Benefits:		
Beginning of Year	1,660,532,779	1,406,662,003
End of Year	\$ 1,887,019,463	\$ 1,600,532,779

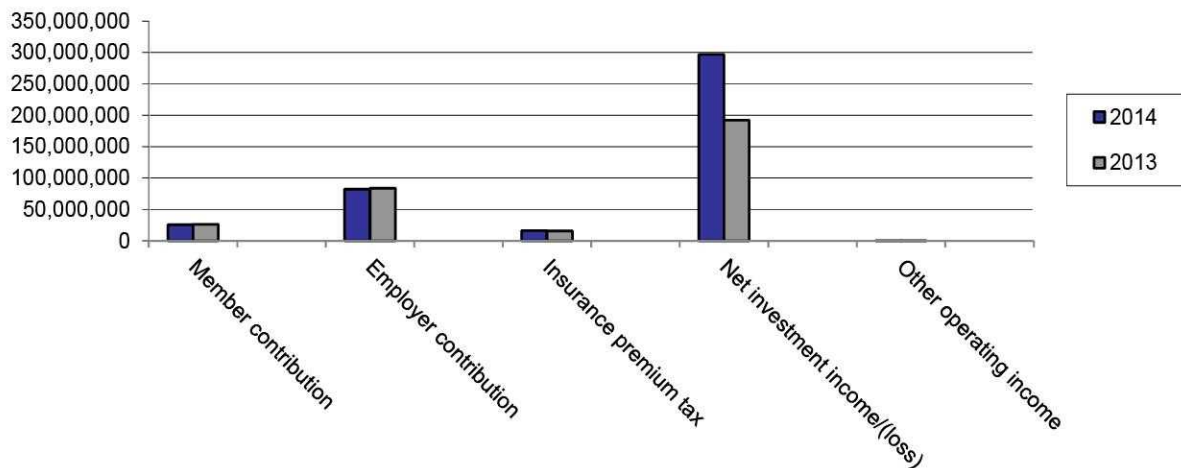
Additions to the System's Fiduciary Net Position

Additions to the System's fiduciary net position are derived from member contributions, employer contributions and investment income. Member contributions decreased \$500 thousand or 1.91% and employer contributions decreased by \$1.4 million or 1.64%. The System experienced net investment income of \$297 million as compared to a net investment income of \$192 million in the previous year. This is a 54.36% increase in investment income.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

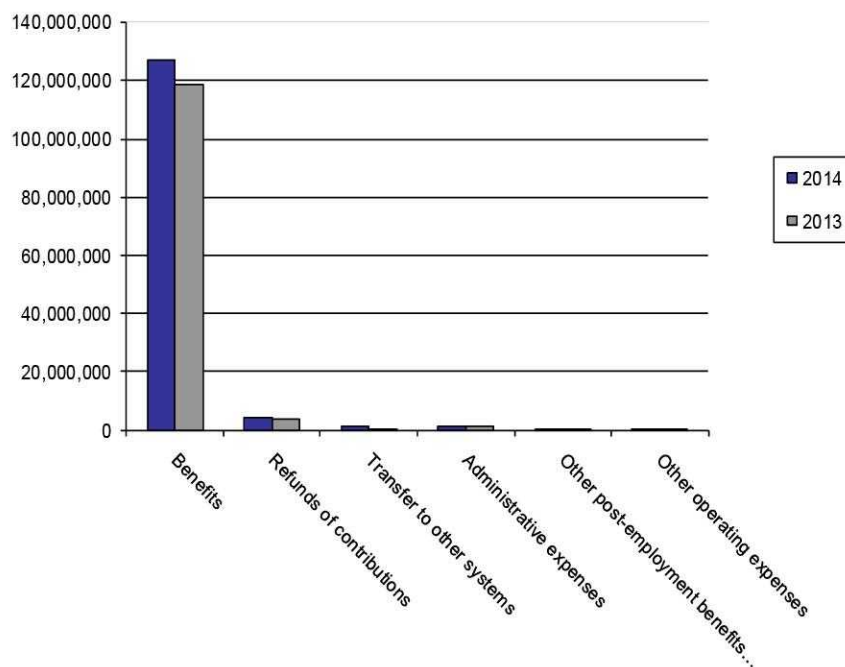
FINANCIAL ANALYSIS (Continued)

Additions to the System's Fiduciary Net Position (Continued)



Deductions from the System's Fiduciary Net Position

Deductions from the System's fiduciary net position include mainly retirement, death and survivor benefits, refund of contributions and administrative expenses. Deductions from fiduciary net position totaled \$135 million in fiscal year 2014. This increase of \$10.8 million or 8.61% was primarily due to an increase in the aggregate number of retirees and the corresponding increase in pension benefits paid in addition to the mandatory DROP withdrawals.



MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS (Continued)

Investments

MPERS is responsible for the prudent management of funds restricted for the exclusive benefits of their members. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total fair value of investments at June 30, 2014 was \$1.85 billion as compared to \$1.57 billion at June 30, 2013, which is an increase of \$279 million or 17.7%.

The returns for the portfolio, net of fees as of June 30 are as follows:

Asset Class	1 Year	3 Year	5 Year
Domestic Equity	24.8%	14.9%	19.3%
International Equity	23.3%	8.0%	12.8%
Fixed Income	8.7%	6.9%	9.3%
Global Tactical Asset Allocation	4.9%	N/A	N/A
Real Estate	11.7%	10.8%	8.4%
Hedge Funds	10.8%	5.9%	7.1%
Private Equity	12.5%	N/A	N/A
Real Assets	23.1%	4.9%	15.5%
Total Portfolio	18.8%	10.2%	13.2%

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

REQUESTS FOR INFORMATION:

Questions concerning any of the information provided or requests for additional financial information should be addressed to Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809, (225) 929-7411.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM AND SUBSIDIARIES
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

ASSETS:

Cash:

Operating cash	\$ 24,569,760
Total cash	<u>24,569,760</u>

Receivables:

Member contributions	2,324,353
Employer contributions	7,174,479
Investment receivable	858,710
Accrued interest and dividends	3,468,266
Total receivables	<u>13,825,808</u>

Property, plant and equipment: (Net of accumulated depreciation of \$1,268,840)

2,160,394

Investments (market value):

Cash and cash equivalents	54,686,148
Equities	1,096,938,127
Fixed income	320,737,930
Real estate	177,987,806
Alternative investments	123,402,294
Tactical asset allocation	78,180,751
Total investments	<u>1,851,933,056</u>

Other assets 8,219

Collateral held under securities lending program 86,575,755

TOTAL ASSETS 1,979,072,992

LIABILITIES:

Accounts payable	684,483
Accrued expenses	525,158
Obligations under securities lending program	86,575,755
Other post employment benefits obligation	516,238
Investment payable	3,751,895

TOTAL LIABILITIES 92,053,529

NET POSITION - RESTRICTED FOR PENSION BENEFITS \$ 1,887,019,463

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM AND SUBSIDIARIES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

ADDITIONS:

CONTRIBUTIONS:

Member contributions	\$ 25,922,508
Employer contributions	82,259,694
Insurance premium tax	16,628,926
Total contributions	<u>124,811,128</u>

INVESTMENT INCOME:

Net appreciation in fair value of investments	266,260,150
Interest, dividend and other investment income	38,216,946
Securities lending income	525,281
	<u>305,002,377</u>

Less investment expenses:

Fees	7,920,331
Investment expense	413,040
Real estate property operations	92,116
	<u>8,425,487</u>

Net investment income	<u>296,576,890</u>
-----------------------	--------------------

OTHER ADDITIONS:

Merger interest payment	453
Total other additions	<u>453</u>

Total additions	<u>421,388,471</u>
-----------------	--------------------

DEDUCTIONS:

Retirement benefits	114,361,996
DROP/IBO withdrawals	12,986,778
Refund of contributions	4,503,123
Net transfers to/from other systems	1,520,751
Administrative expenses	1,381,703
Other post employment benefit expense	65,843
Depreciation	81,593
Total deductions	<u>134,901,787</u>

NET INCREASE	286,486,684
--------------	-------------

NET POSITION - RESTRICTED FOR PENSION BENEFITS:

BEGINNING OF YEAR	<u>1,600,532,779</u>
END OF YEAR	<u>\$ 1,887,019,463</u>

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The Municipal Police Employees' Retirement System (MPERS) was established as of July 1, 1973, by Act 189 of 1973. The System is a statewide retirement system, which was created for full-time municipal police officers in Louisiana. The System is administered by a Board of Trustees and includes the Chairman of the Retirement Committee of the House of Representatives, the Chairman of the Senate Retirement Committee, the commissioner of administration, and the state treasurer, or their designees, as well as two mayors appointed by the Louisiana Municipal Association from municipalities having police departments participating in the System, to serve as voting ex-officio members of the Board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB).

In addition, these financial statements include the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and related standards. This standard provides for inclusion of a management discussion and analysis as supplementary information and other changes.

During the year ended June 30, 2014, MPERS adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*. GASB Statement No. 67 established new standards of financial reporting for defined pension plans. Significant changes included an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosures regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures specifying the approach of contributing entities to measure pension liabilities for benefits provided through the pension plan, increased the note disclosure requirements, and provided for additional required supplementary information schedules.

Basis of Accounting:

MPERS' financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Interest income is recognized when earned. Dividends are recognized when declared. Insurance premiums are recognized in the year appropriated by the legislature.

Expenditures are recognized in the period incurred.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments:

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. MPERS reports securities lent through the securities lending program as assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Liabilities resulting from securities lending transactions are reported as well. Shares in external investment pools and mutual funds are equivalent to the fair value of the external investment pool and mutual funds. The investment in real estate consists of partnerships, real estate equity portfolios and rental portion of the building. These investments are valued at fair market value, which is based upon an independent appraisal or comparable sales. Derivatives regarding outstanding currency contracts are measured at fair value of the net obligation.

Land, Equipment and Fixtures:

Land, building, equipment and fixtures of the System are recorded at historical cost. The building used for operations, equipment and fixtures are depreciated using the straight-line method of depreciation over the asset's estimated useful life.

2. PLAN DESCRIPTION:

The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan.

The Municipal Police Employees' Retirement System provides retirement benefits for municipal police officers. For the year ended June 30, 2014, there are 143 contributing municipalities. At June 30, 2014 statewide retirement membership consists of:

Inactive plan members or beneficiaries receiving benefits	4,444
Inactive plan members entitled to but not yet receiving benefits	1,431
Active plan members	<u>5,739</u>
Total Participants as of Valuation Date	<u>11,614</u>

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing he does not have to pay social security and providing he meets the statutory criteria.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. PLAN DESCRIPTION: (Continued)

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. PLAN DESCRIPTION: (Continued)

Membership Commencing January 1, 2013 (Continued)

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. PLAN DESCRIPTION: (Continued)

Initial Benefit Option Plan

In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

Plan booklet should be read for more detail on eligibility and benefit provisions.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by state statute and are deducted from member's salary and remitted by the participating municipality. Contributions for all employers are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

Employee contribution rates are 7.5% for members whose earnable compensation is less than or equal to the poverty guidelines. For employees whose compensation is greater than the poverty guidelines, contributions will be determined each fiscal year based on a sliding scale depending upon the total actuarially required contribution for both employee and employers.

For the year ended June 30, 2014, total contributions due for employers and employees were 41%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 31% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 33% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 33.5% and 7.5%, respectively. The actuarial required employer and employee combined contribution for June 30, 2014 was 41.53%.

The System also receives insurance premium tax monies as additional employer contributions and considered support from a non-contributing entity. This tax is appropriated by the legislature each year based on an actuarial study. For the year ended June 30, 2014, the state appropriated \$16.6 million in insurance premium tax.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. CONTRIBUTIONS AND RESERVES: (Continued)

Administrative costs of the retirement system are financed through employer contributions.

Reserves:

Use of the term "reserve" by the retirement system indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

A) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death, before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of accumulated contributions is transferred to Annuity Reserve to provide part of the benefits. The balance in Annuity Savings as of June 30, 2014 is \$197,488,869.

B) Pension Accumulation:

The Pension Accumulation consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The balance in Pension Accumulation as of June 30, 2014 is \$321,931,378.

C) Annuity Reserve:

The Annuity Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The balance in Annuity Reserve as of June 30, 2014 is \$1,257,393,940.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

D) Deferred Retirement Option Account:

The Deferred Retirement Option Account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The balance in Deferred Retirement Option Account as of June 30, 2014 is \$109,362,561.

E) Initial Benefit Option Reserve:

The Initial Benefit Option Reserve consists of the reserves for all participants who elect to take a lump sum benefit payment up front and subsequently receive a reduced monthly benefit. The maximum amount a member may receive up front is 36 months times the maximum benefit. The balance in Initial Benefit Option Reserve as of June 30, 2014 is \$842,715.

4. NET PENSION LIABILITY OF EMPLOYERS:

The components of the net pension liability of the System's employers determined in accordance with GASB No. 67 as of June 30, 2014 is as follows:

Total Pension Liability	\$ 2,512,627,665
Plan Fiduciary Net Position	<u>1,887,019,463</u>
Employer's Net Pension Liability	625,608,202
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	 75.10%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the assumptions used in the June 30, 2014 actuarial funding valuation, and were initially designed to match, to the extent possible, those used by the prior actuary for the fiscal 2010 valuation. Adjustments to some non-mortality decrements were necessary due to differences in software design. The required Schedules of Employers' Net Pension Liability located in required supplementary information following the *Notes to the Financial Statements* presents multi-year trend information regarding whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. The total pension liability as of June 30, 2014 is based on actuarial valuations for the same period, updated using generally accepted actuarial procedures.

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	7.5% (Net of investment expense)
Inflation rate	3%
Mortality	Mortality assumptions were set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2003 through June 30, 2008. The RP-2000 Employee Mortality Table was selected for active members. The RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. The RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

Salary increases, including inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1	10.00%
	2	6.00%
	3 – 19	4.30%
	20 – 29	5.50%
	30 & Over	4.00%

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 8.0% for the year ended June 30, 2014.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	52%	5.43%
Fixed Income	20%	2.35%
Alternatives	23%	4.51%
Other	5%	4.07%
Totals	100%	4.82%
Inflation		3.25%
Expected Arithmetic Nominal Return		8.07%

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5% or one percentage point higher 8.5% than the current rate.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

	Changes in Discount Rate		
	2014		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	6.5%	7.5%	8.5%
Net Pension Liability	<u>\$903,271,048</u>	<u>\$625,608,202</u>	<u>\$392,396,808</u>

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2014:

Deposits (bank balance)	\$ 23,681,707
Cash equivalents	54,686,148
Investments (excluding collateral)	<u>1,797,246,908</u>
	<u>\$ 1,875,614,763</u>

Deposits:

The System's bank deposits were fully insured or secured by perfected liens on the bank's securities as of June 30, 2014.

Cash Equivalents:

For the year ended June 30, 2014, cash equivalents in the amount of \$33,795,741 consisted of government pooled investments. The funds are held and managed by the System's custodian bank.

For the year ended June 30, 2014, cash equivalents in the amount of \$20,890,407 consisted of government pooled investments. The funds are managed by the Louisiana Asset Management Pool (LAMP) held by a custodial bank in the name of the System.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-RS 33:2955. LAMP is rated AAA by Standard & Poor's.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Cash Equivalents: (Continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool share.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Investments:

In accordance with LRS 11:263, the System is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with the care, skill, prudence and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Man Rule, the System may not invest more than sixty-five percent of the book value of the System's assets in equities and at least ten percent of the total portfolio must be invested in one or more index funds which seek to replicate the performance of the chosen index or indices.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer.

The System's investment policy states that no more than 10% of the total stock portfolio value at market may be invested in the common stock of any one organization. In addition, exposure to any economic sector shall not exceed greater of 30% of the portfolio at market value or two times that of the underlying index for any given portfolio; and investments in one issuer shall not exceed 5% of any fixed income portfolio's market value unless otherwise authorized by the board. There are no investments greater than 30% in one economic sector at June 30, 2014.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit risk ratings of the System's investments in long-term debt securities as of June 30, 2014.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

Below is a schedule of bonds with their applicable ratings as of June 30, 2014:

	Corporate Bonds	State and Municipal Bonds	Foreign Bonds	U.S. Government Bonds	Other	Total
AAA	\$ 4,878,411	\$ --	\$ 4,589,360	\$ 14,192,225	\$ 4,457,917	\$ 28,117,913
AA	--	3,963,311	--	--	--	3,963,311
AA-	1,175,598	--	--	--	27,198	1,202,796
A+	--	336,622	--	--	--	336,622
A	3,781,080	20,304	1,299,443	--	627,396	5,728,223
A-	4,480,214	--	2,619,729	--	--	7,099,943
BBB+	5,907,537	--	--	--	7,048,363	12,955,900
BBB	17,306,971	--	259,970	--	2,474,469	20,041,410
BBB-	26,680,891	--	1,409,419	--	770,031	28,860,341
BB+	10,025,927	--	98,114	--	825,903	10,949,944
BB	3,263,345	--	176,221	--	429,027	3,868,593
BB-	5,304,849	--	--	--	271,974	5,576,823
B+	2,357,806	--	--	--	--	2,357,806
B	1,584,430	--	--	--	--	1,584,430
B-	2,413,994	--	--	--	--	2,413,994
Not Rated	9,342,815	--	1,383,347	--	11,263,605	21,989,767
	<u>\$ 98,503,868</u>	<u>\$ 4,320,237</u>	<u>\$ 11,835,603</u>	<u>\$ 14,192,225</u>	<u>\$ 28,195,883</u>	<u>\$ 157,047,816</u>

The System's investment policy limits its domestic fixed income investments (with the exception of full discretion, core plus, high yield and bank loan portfolios) to corporate debt issues rated equivalent of BBB or better as defined by the least of the three rating agencies (Standard & Poor's, Moody's Investor Services, and Fitch). If securities fall to a CCC rating, they are to be eliminated in a timely manner. Obligations guaranteed or explicitly guaranteed by the U.S. Government consist of United States Treasury Notes.

The System invested in a domestic index bond fund. As of June 30, 2014, the market value of the fund was \$78,835,247. The rating of the bonds in the fund ranged between AAA and Baa with 71% rated AAA. The System also invested in a high yield exchange-traded bond fund. As of June 30, 2014, the market value of the fund is \$84,854,867. The rating of the bonds in the fund ranged from BBB and below B, with 37% rated BB and 43% rated B.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2014, the System is not exposed to custodial risk for investments in the amount of \$1,003,900,343 since the investments are held in the name of the System.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Custodial Credit Risk: (Continued)

At June 30, 2014, the System has \$847,282,712 in cash equivalents, pooled bond fund, exchange-traded bond fund, real estate funds, tactical asset allocation, and alternative investments which are managed by fund managers and held with a different custodian, and are therefore exposed to custodial credit risk since the investments are not in the name of the System. The underlying assets are held in the name of each individual fund and not the System.

The System reported collateral held for investment purposes in the amount of \$86,575,755 as of June 30, 2014. The System is exposed to custodial credit risk since the collateral is not in the name of the System.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates in the general market will adversely affect the fair value of an investment. As of June 30, 2014, the System had the following investments in long-term debt securities and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>Greater Than 10 Years</u>
Corporate Bonds	\$ 98,503,868	\$ --	\$ 19,456,998	\$ 53,003,154	\$ 26,043,716
Municipal Bonds	4,320,237	--	3,963,311	--	356,926
U.S. Government Bonds	14,192,225	--	14,192,225	--	--
Foreign Bonds	11,835,603	--	4,059,566	6,249,911	1,526,126
Other	28,195,883	--	4,886,246	9,859,534	13,450,103
	<u>\$ 157,047,816</u>	<u>\$ --</u>	<u>\$ 46,558,346</u>	<u>\$ 69,112,599</u>	<u>\$ 41,376,871</u>

The overall average duration of each domestic fixed-income manager's portfolio (with the exception of full discretion and core plus) shall not differ from that of the manager's passive benchmark by more than two years, unless written permission has been obtained from the System's Board of Trustees.

The System may invest in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Foreign Currency Risk:

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment.

The System's exposure for foreign currency risk consisted of its investment in foreign equities at June 30, 2014 as follows:

<u>Country/Currency</u>	<u>Fair Value</u>
Australian / Dollar	\$ 15,583,112
Belgium / Euro	769,722
Hong Kong / Dollar	4,056,888
Finland / Euro	7,244,932
France / Euro	23,584,606
Denmark / Kroner	5,784,687
Singapore / Dollar	833,815
Germany / Euro	23,377,982
Luxembourg / Euro	607,027
Ireland / Euro	1,948,162
Italy / Euro	6,302,148
Switzerland / Swiss £	21,856,858
Canada / Dollar	14,037,948
United Kingdom / Pounds	74,908,852
United Kingdom / Euro	466,574
New Zealand / Dollar	358,427
Norway / Kroner	2,603,893
Spain / Euro	12,193,962
Portugal / Euro	542,933
Sweden / Kroner	8,608,118
Japan / Yen	52,216,238
Various / Emerging Markets Funds	197,017,907
Various / International Index Fund	83,955,623
TOTAL	\$ 558,860,414

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Foreign Currency Risk: (Continued)

The System's exposure to foreign currency risk also consisted of its investment in cash in trust accounts at June 30, 2014 was as follows:

<u>Country/Currency</u>	<u>Fair Value</u>
United Kingdom / Pound	\$ 36,656
Euro	113,070
Hong Kong / Dollar	12,732
Japan / Yen	243,913
Norway / Krone	8,480
TOTAL	<u>\$ 414,851</u>

The System's investment policy has a target not to exceed 38% of total investments in foreign equities. At June 30, 2014, the System's position was 30.34% of the total investments.

The System's exposure to foreign currency risk also consisted of its investment in long term debt securities. At June 30, 2014, the balance consisted of foreign government bonds of \$826,486 and foreign corporate bonds of \$11,009,117. The breakdown per country at June 30, 2014 was as follows:

<u>Country/Currency</u>	<u>Fair Value</u>
Australia / Dollar	\$ 733,081
Brazil / Real	1,669,389
Chile / Peso	816,328
Euro	826,486
Columbia / Peso	98,114
India / Rupee	840,768
Mexico / Peso	3,919,173
Singapore / Dollar	<u>2,932,264</u>
TOTAL	<u>\$ 11,835,603</u>

Money-Weighted Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.90%. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. INVESTMENTS IN REAL ESTATE:

During the year ended June 30, 2014, the System had investment in three limited liability corporations as follows:

- A) The System purchased, as an investment, a golf course located in northwest Louisiana. The initial cost of the golf course was \$6,797,156. Subsequent to the purchase the System made improvements to the golf course in the amount of \$4,210,523. In the prior years, Olde Oaks transferred a portion of the land with a cost of \$55,174 and a market value of \$56,600 to Olde Oaks Development, LLC, an affiliate organization. The course was sold on August 2, 2013.
- B) On July 23, 2003, Municipal Police Employees' Retirement System paid \$2,901,000 to purchase, as an investment, at a Sheriff's sale a golf course in northwest Louisiana. Subsequent to the purchase the System made improvements to The Golf Club at StoneBridge in the amount of \$1,833,985. The course was sold on August 2, 2013.
- C) On December 23, 2003, Municipal Police Employees' Retirement System paid a \$50,000 deposit to purchase, as an investment, undeveloped land surrounding one of the golf courses it owns in north Louisiana. On February 13, 2004, the System acquired the land for \$5,932,000. The land consisted of 209.99 acres of undivided land and 75 lots. Subsequent to the acquisition, the System began making improvements to the infrastructure, subdivided some of the land it acquired and began to sell lots. The Development was sold on August 2, 2013.
- D) The System committed to invest \$36,000,000 in La Salle Property Capital and Growth Fund IV Partnership (Partnership) and \$20,000,000 in La Salle Property Capital and Growth Fund V Partnership (Partnership). The Partnerships were formed to acquire office, industrial, retail and multifamily real estate properties that can be renovated, redeveloped or repositioned as core properties.

Net income or loss is allocated to capital accounts of the partners in proportion to their respective capital accounts. The System's share of partnership income for the year ended June 30, 2014 was \$1,677,121 and is included in investment income. The System received return of capital during the year totaling \$1,585,847. As of June 30, 2014, the System has invested \$34,901,919 with a fair market value of \$29,138,192.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

7. ALTERNATIVE INVESTMENTS:

The System's total commitment to private equity is \$40 million. Currently, the only private equity manager in the portfolio is the Summit Partners Credit Fund Partnership. This commitment has been fully called. Net income or loss is allocated to capital accounts of the partners in proportion to their respective capital accounts. The System's share of partnership income for the year ended June 30, 2014 was \$3,299,068 and is included in investment income. As of June 30, 2014, the System has invested \$35,800,000 with a fair market value of \$35,068,323.

As of June 30, 2014, the System had subscription agreements with seven limited partnerships and offshore funds to enhance diversification and provide reductions in overall portfolio volatility. At June 30, 2014, the market value of the hedge funds was \$88,333,971. These funds are subject to the market factors depending on the fund strategy. The value assigned to these investments is based upon available information and does not necessarily represent the amounts that might ultimately be realized, since such investments depend on future circumstances and cannot be determined until the individual investments are actually liquidated.

8. TACTICAL ASSET ALLOCATION:

The System is invested in a tactical asset allocation fund consisting of the Standard Life Investments Global Absolute Return Strategies Offshore Feeder Fund. This investment was made to further diversify the portfolio. At June 30, 2014, the market value of the fund was \$78,180,751. This fund is subject to the market factors depending on the fund strategy.

9. DERIVATIVE INSTRUMENTS:

The System is a party to contracts for various derivative instruments, as discussed below. At June 30, 2014, the System had the following derivative instruments outstanding:

<u>Investment Derivative:</u>	<u>Notional Amount</u>	<u>Fair Value</u>		<u>Unrealized Gain/(Loss)</u>
		<u>Investment Receivable</u>	<u>Investment Payable</u>	
Foreign forward currency contract – UK	\$ 206,607	\$ 206,607	\$ 207,269	\$ (662)
Foreign forward currency contract – CAN	12,476	12,518	12,476	42
Foreign forward currency contract – Euro	5,311,157	5,321,207	5,278,156	43,051
Foreign forward currency contract – JAP	17,222	17,222	17,267	(45)
Foreign forward currency contract – SWI	40,684	40,986	40,684	302

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

9. DERIVATIVE INSTRUMENTS: (Continued)

When entering into a forward foreign currency contract, the System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the System's net equity therein, representing unrealized gain or loss on the contracts are measured by the difference between the forward foreign exchange rates at the dates of entry into the contract and the forward rates at the reporting date. Realized and unrealized gains and losses are included in the statement of changes in fiduciary position. The fair values of the forward foreign currency contracts were estimated based on the present value of their estimated future cash flows. The System is exposed to foreign currency risk on its foreign currency forward contracts because they are denominated in British pounds, Canadian dollars, Euros, Japanese yen, and Swiss francs. At June 30, 2014, the fair value of the foreign currency contracts receivable and payables was \$5,598,540 and \$5,555,852, respectively.

10. SECURITY LENDING AGREEMENTS:

State statutes and board of trustee policies authorize the System to invest under the Prudent-Man Rule. Under the Prudent-Man Rule, the System is allowed to lend its securities to broker - dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System has entered into a contract with its custodial bank, which acts as their third-party securities lending agent. The lending agent has access to the System's lendable portfolio or available assets. The agent lends the available assets such as U.S. and non-U.S. equities, corporate bonds and U.S. and non-U.S. government securities. The lending agent has flexibility to use any of the pre-approved borrowers. The System approves all borrowers. The lending agent continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit.

Collateralization of loans will be 102% of the market value of the loaned securities plus accrued interest for stocks and U.S. Treasury obligations. Collateralization of loans will be 102% of the market value for domestic securities and 105% for non-U.S. securities of the market value of the loaned securities plus accrued income. As a result of the required collateralization percentage, the System has no credit risk. The lending agent and the System enter into contracts with all approved borrowers. In the case of any loans collateralized by cash, the lending agent will invest the cash collateral (in the name of MPERS) in approved investments outlined in the contract between the agent and MPERS such as commercial paper, selected money market mutual funds, certificates of deposit, and repurchase agreements including third-party. For third-party repurchase agreements, party to such agreements must be an approved borrower. Acceptable collateral from approved borrowers for third-party repurchase agreements is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AAA or higher, commercial paper and other investments stipulated in lender agent contract.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. SECURITY LENDING AGREEMENTS: (Continued)

The System has the following securities on loan:

	<u>June 30, 2014</u>
	<u>Market Value</u>
Marketable Securities - Domestic	\$ 17,649,384
Marketable Securities - Foreign	2,170,209
U.S. Government and Agency Securities	6,125,550
Corporate Bonds - Domestic	6,564,555
Exchange-traded bond fund	<u>51,973,109</u>
Total	<u>\$ 84,482,807</u>

Securities on loan at June 30, 2014 are collateralized by cash collateral in the amount of \$76,722,662 and noncash collateral in the amount of \$9,853,093 for total amount of collateral held in the amount of \$86,575,755.

The term to maturity of the securities on loan is matched with the term to maturity of the investment of the cash collateral at June 30, 2014. Such matching did exist since loans may be terminated on demand.

11. OPERATING BUDGET:

The budget is under the control of the Board of Trustees and is not an appropriated budget but is considered a budgetary execution for management purposes.

12. TAX QUALIFICATION:

The System is a tax qualified plan under IRS Code Section 401(a).

13. EQUIPMENT AND FIXTURES:

The following is a summary of equipment and fixtures at June 30, 2014:

Office equipment	\$ 293,635
Computer equipment and software	288,468
Improvements	10,309
Furniture	100,257
Land	614,919
Office building	<u>2,121,646</u>
	3,429,234
Less accumulated depreciation	<u>(1,268,840)</u>
Total	<u>\$ 2,160,394</u>

Depreciation expense charged to pension operations was \$81,593 for the year ended June 30, 2014.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

14. OTHER POSTEMPLOYMENT BENEFITS:

Substantially all System employees become eligible for post-employment health care and life insurance benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the System. At June 30, 2014, four retirees were receiving post-employment benefits.

Plan Description

The System's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits (OGB). LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy

The contribution requirements of plan members and the System are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule.

Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers four standard plans for both active and non-Medicare retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) plan, the Medical Home Health Maintenance Organization (HMO) Plan and a Consumer Driven Health Plan with Health Savings Account Option (CDHP-HSA), featuring lower premium rates in exchange for higher deductibles. Retired employees who have Medicare Part A and Part B coverage also have access to an additional four OGB Medicare Advantage plans which includes three HMO-POS plans and one Towers Watson OneExchange option for purchasing private health insurance on an exchange. Depending upon the plan selected, during the year ended June 30, 2014, employee premiums for a single member receiving benefits range from \$83 to \$96 per month for retiree-only coverage with Medicare or from \$134 to \$148 and per month for retiree-only coverage without Medicare. The premiums for an employee and spouse for the year ended June 30, 2014 range from \$148 to \$160 per month for those with Medicare or from \$434 to \$459 per month for those without Medicare.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

14. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Funding Policy (Continued)

The plan is currently financed on a pay as you go basis, with the System contributing anywhere from \$249 to \$257 per month for retiree-only coverage with Medicare or from \$864 to \$911 per month for retiree-only coverage without Medicare during the year ended June 30, 2014. Also, the System's contributions range from \$444 to \$461 per month for retiree and spouse with Medicare or \$1,327 to \$1,399 for retiree and spouse without Medicare for the year ended June 30, 2014.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with AD&D coverage ceasing at termination of employment or age 70 for retirees.

Annual OPEB Cost

The System's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45 and is calculated at the beginning of the fiscal year. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year beginning July 1, 2013 is \$95,700 as set forth below:

Normal Cost	\$ 43,500
30-year UAL amortization amount	48,519
Interest on the above	<u>3,681</u>
Annual required contribution (ARC)	<u>\$ 95,700</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

14. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

The following table presents the System's OPEB obligation for the year ended June 30, 2014:

Annual required contribution	\$ 95,700
Contributions made	(29,857)
Claim costs	<u>-</u>
Change in Net OPEB Obligation	65,843
Beginning Net OPEB Obligation July 1, 2013	<u>450,395</u>
Ending Net OPEB Obligation June 30, 2014	<u>\$ 516,238</u>

The System's percentage of annual OPEB cost contributed to the Plan utilizing the pay-as-you-go method, the percentage of annual OPEB Cost contributed to the plan, and the net OPEB Obligation for the year ended June 30, 2014, and the two preceding fiscal years were as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2012	\$ 79,500	50.28%	\$ 402,662
June 30, 2013	79,800	40.18%	450,395
June 30, 2014	95,700	31.20%	516,238

Funding Status and Funding Progress:

Act 910 of the 2008 Regular Session established the Post Employment Benefits Trust Fund. However, neither the System nor the State of Louisiana contributed to it during fiscal year 2013-2014. Since the plan has not been funded, the entire actuarial accrued liability of \$1,292,000 as of July 1, 2013 was unfunded.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

14. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Funding Status and Funding Progress: (Continued)

The funded status of the plan as of July 1, 2013, was as follows:

Actuarial accrued liability (AAL)	\$ 1,292,000
Actuarial value of plan assets	--
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,292,000</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 297,300
UAAL as a percentage of covered payroll	435%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 8% and 6% for pre-Medicare and Medicare eligible, respectively, scaling down to ultimate rates of 4.5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over thirty years. As of June 30, 2014, the remaining amortization was 23 years.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

15. USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

16. SUBSEQUENT EVENTS:

The date to which events occurring after June 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is December 12, 2014, which is the date on which the financial statements were available to be issued. The investment financial market declined after year end, resulting in an overall decrease in the System's investment values during the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2014

Total Pension Liability	
Service cost	\$ 44,231,463
Interest	178,359,489
Changes of benefit terms	38,929,984
Differences between expected and actual experience	(14,670,717)
Changes of assumptions	(225,724)
Benefit payments (including DROP and IBO withdrawals)	(127,348,774)
Refunds	(4,503,123)
Other	(1,520,753)
Net change in total pension liability	<u>113,251,845</u>
Total pension liability - beginning	2,399,375,820
Total pension liability - ending (a)	<u><u>\$ 2,512,627,665</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 82,259,694
Contributions - member	25,922,508
Contributions - non-employer contributing entity	16,628,926
Net investment income	296,576,890
Benefit payments (including DROP and IBO withdrawals)	(127,348,774)
Refunds	(4,503,123)
Administrative expenses	(1,529,139)
Other	(1,520,298)
Net change in plan fiduciary net position	<u>286,486,684</u>
Plan fiduciary net position - beginning	1,600,532,779
Plan fiduciary net position - ending (b)	<u><u>\$ 1,887,019,463</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 625,608,202</u></u>
Plan fiduciary net position as a percentage of total pension liability	75.10%
Covered employee payroll	\$ 265,182,766
Net pension liability as a percentage of covered employee payroll	235.92%

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2014

Fiscal Year	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Employee Payroll	Employers' Net Pension Liability as a Percentage of Covered Employee Payroll
2014	\$ 2,512,627,665	\$ 1,887,019,463	\$ 625,608,202	75.10%	\$ 265,182,766	235.92%

Schedule is intended to show information for 10 years. Additional years will be presented as they become available

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITY
FOR THE YEAR ENDED JUNE 30, 2014

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Liability</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2014	\$ 98,888,620	\$ 98,888,620	\$ -	\$ 265,182,766	37.29%

Schedule is intended to show information for 10 years. Additional years will be presented as they become available

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Fiscal Year End</u>	<u>Annual Money-Weighted Rate of Return*</u>
2014	17.90%

* Annual money-weighted rates of return are presented net of investment expense

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS
 OPEB PLAN
JUNE 30, 2008 THROUGH 2014

<u>Date</u>	<u>Actuarial Value Of of Assets</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Cost</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As A Percentage of Covered Payroll</u>
2008	\$ -	\$ 1,299,600	\$ 1,299,600	- %	\$ 268,575	483.9 %
2009	-	1,380,200	1,380,200	-	254,799	541.7
2010	-	1,684,800	1,684,800	-	246,700	682.9
2011	-	1,478,700	1,478,700	-	255,300	579.2
2012	-	1,177,800	1,177,800	-	256,300	459.5
2013	-	1,185,000	1,185,000	-	312,000	379.8
2014	-	1,292,000	1,292,000	-	297,300	434.6

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

The total pension liability contained in this schedule was provided by the System's actuary, Gary S. Curran. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the fund.

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY:

The schedule of employers' net pension liability shows the percentage of the System's employers' net pension liability as a percentage of covered employee payroll. The employers' net pension liability is the liability of contributing employers to members for benefits provided through the System. Covered employee payroll is the payroll of all employees that are provided with benefits through the System.

3. SCHEDULE OF CONTRIBUTIONS – EMPLOYER
AND NON-EMPLOYER CONTRIBUTING ENTITY:

The difference between the actuarially determined contributions for employer and the non-employer contributing entity and the contributions reported from employer and the non-employer contributing entity, and the percentage of contributions reported to cover employee payroll is presented in this schedule. Insurance premium tax revenue is support from a non-employer contributing entity.

4. SCHEDULE OF INVESTMENT RETURNS:

The annual money-weighted rate of return is shown in this schedule. The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. This express investment performance adjusted for the changing amounts actually invested throughout the year, measured using monthly inputs with expenses measured on an accrual basis.

5. ACTUARIAL ASSUMPTIONS NET PENSION LIABILITY:

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board. Additional information on the assumptions and methods used as of the latest actuarial valuation are disclosed in the notes to the financial statements footnote 4, Net Pension Liability of Employers.

6. SCHEDULE OF FUNDING PROGRESS FOR OPEB PLAN:

This schedule shows the System's actuarial accrued liability (AAL) to its retired employees participating in the Office of Group Benefits (OGB) postemployment healthcare plan. The Plan is funded on a "pay-as-you-go" basis. Therefore, the ratio of AAL to unfunded AAL (UAAL) is 0.0%. The schedule also represents the percentage of UAAL to covered payroll.

OTHER SUPPLEMENTARY INFORMATION

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	<u>Pension Fund</u>	<u>Expense Fund</u>	<u>Building Fund</u>	<u>Total Retirement System</u>
ASSETS				
Cash:				
Cash in bank	\$ 13,061,350	\$ 11,542,358	\$ (33,948)	\$ 24,569,760
Total cash	<u>13,061,350</u>	<u>11,542,358</u>	<u>(33,948)</u>	<u>24,569,760</u>
Receivables:				
Member contributions	-	2,324,353	-	2,324,353
Employer contributions	-	7,174,479	-	7,174,479
Investment receivable	858,710	-	-	858,710
Accrued interest and dividends	3,468,266	-	-	3,468,266
Total receivables	<u>4,326,976</u>	<u>9,498,832</u>	<u>-</u>	<u>13,825,808</u>
Property, plant and equipment				
Net of accumulated depreciation	<u>640,904</u>	<u>-</u>	<u>1,519,490</u>	<u>2,160,394</u>
Investments (market value):				
Cash and cash equivalents	54,686,148	-	-	54,686,148
Equities	1,096,938,127	-	-	1,096,938,127
Fixed income	320,737,930	-	-	320,737,930
Real estate	177,430,887	-	556,919	177,987,806
Alternative investments	123,402,294	-	-	123,402,294
Tactical asset allocation	78,180,751	-	-	78,180,751
Total investments	<u>1,851,376,137</u>	<u>-</u>	<u>556,919</u>	<u>1,851,933,056</u>
Other assets	-	-	8,219	8,219
Collateral held under securities lending	<u>86,575,755</u>	<u>-</u>	<u>-</u>	<u>86,575,755</u>
TOTAL ASSETS	<u>1,955,981,122</u>	<u>21,041,190</u>	<u>2,050,680</u>	<u>1,979,072,992</u>
LIABILITIES				
Accounts payable	684,151	332	-	684,483
Accrued expenses	486,448	38,710	-	525,158
Obligations under securities lending	86,575,755	-	-	86,575,755
Investment payable	3,751,895	-	-	3,751,895
Other postemployment benefits obligation	-	516,238	-	516,238
TOTAL LIABILITIES	<u>91,498,249</u>	<u>555,280</u>	<u>-</u>	<u>92,053,529</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 1,864,482,873</u>	<u>\$ 20,485,910</u>	<u>\$ 2,050,680</u>	<u>\$ 1,887,019,463</u>

<u>Olde Oaks Golf Course</u>	<u>Stonebridge Enterprises, LLC</u>	<u>Olde Oaks Development</u>	<u>Total</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>24,569,760</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>24,569,760</u>
-	-	-	2,324,353
-	-	-	7,174,479
-	-	-	858,710
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,468,266</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,825,808</u>
-	-	-	2,160,394
-	-	-	54,686,148
-	-	-	1,096,938,127
-	-	-	320,737,930
-	-	-	177,987,806
-	-	-	123,402,294
<u>-</u>	<u>-</u>	<u>-</u>	<u>78,180,751</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,851,933,056</u>
-	-	-	8,219
<u>-</u>	<u>-</u>	<u>-</u>	<u>86,575,755</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,979,072,992</u>
-	-	-	684,483
-	-	-	525,158
-	-	-	86,575,755
-	-	-	3,751,895
<u>-</u>	<u>-</u>	<u>-</u>	<u>516,238</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>92,053,529</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,887,019,463</u>

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Pension Fund</u>	<u>Expense Fund</u>	<u>Building Fund</u>
ADDITIONS:			
CONTRIBUTIONS:			
Member contributions	\$ 17,802,445	\$ 8,120,063	\$ -
Employer contributions	56,491,208	25,768,486	-
Insurance premium tax	16,628,926	-	-
	<u>90,922,579</u>	<u>33,888,549</u>	<u>-</u>
INVESTMENT INCOME:			
Net appreciation in fair value of investments	244,181,052	-	46,875
Interest, dividends, and other investment income	37,589,492	627,454	-
Securities lending income	525,281	-	-
	<u>282,295,825</u>	<u>627,454</u>	<u>46,875</u>
Less investment expenses:			
Fees	7,920,331	-	-
Investment expense	405,581	7,459	-
Real estate property expenses	-	-	-
	<u>8,325,912</u>	<u>7,459</u>	<u>-</u>
Net investment income	<u>273,969,913</u>	<u>619,995</u>	<u>46,875</u>
OTHER ADDITIONS:			
Merger interest payment	453	-	-
Total other additions	<u>453</u>	<u>-</u>	<u>-</u>
Total additions	<u>364,892,945</u>	<u>34,508,544</u>	<u>46,875</u>
DEDUCTIONS:			
Retirement benefits	114,361,996	-	-
DROP/IBO withdrawals	12,986,778	-	-
Refund of contributions	4,503,123	-	-
Net transfers to (from) other systems	3,265,377	(1,744,626)	-
Administrative expenses	-	1,259,660	122,043
Other post-employment benefit expense	-	65,843	-
Depreciation	16,362	-	65,231
Total deductions	<u>135,133,636</u>	<u>(419,123)</u>	<u>187,274</u>
Increase (decrease) in net position prior to transfers	229,759,309	34,927,667	(140,399)
Transfers to/from	<u>15,575,706</u>	<u>(14,008,461)</u>	<u>30,418</u>
NET INCREASE (DECREASE)	245,335,015	20,919,206	(109,981)
NET POSITION - RESTRICTED FOR PENSION BENEFITS:			
BEGINNING OF THE YEAR	<u>1,619,147,858</u>	<u>(433,296)</u>	<u>2,160,661</u>
END OF THE YEAR	<u>\$ 1,864,482,873</u>	<u>\$ 20,485,910</u>	<u>\$ 2,050,680</u>

<u>Total Retirement System</u>	<u>Olde Oaks Golf Course</u>	<u>Stonebridge Enterprises, LLC</u>	<u>Olde Oaks Development</u>	<u>Total</u>
\$ 25,922,508	\$ -	\$ -	\$ -	\$ 25,922,508
82,259,694	-	-	-	82,259,694
16,628,926	-	-	-	16,628,926
<u>124,811,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,811,128</u>
244,227,927	5,607,207	2,322,925	14,102,091	266,260,150
38,216,946	-	-	-	38,216,946
525,281	-	-	-	525,281
<u>282,970,154</u>	<u>5,607,207</u>	<u>2,322,925</u>	<u>14,102,091</u>	<u>305,002,377</u>
7,920,331	-	-	-	7,920,331
413,040	-	-	-	413,040
-	23,458	28,561	40,097	92,116
<u>8,333,371</u>	<u>23,458</u>	<u>28,561</u>	<u>40,097</u>	<u>8,425,487</u>
<u>274,636,783</u>	<u>5,583,749</u>	<u>2,294,364</u>	<u>14,061,994</u>	<u>296,576,890</u>
453	-	-	-	453
<u>453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>453</u>
<u>399,448,364</u>	<u>5,583,749</u>	<u>2,294,364</u>	<u>14,061,994</u>	<u>421,388,471</u>
114,361,996	-	-	-	114,361,996
12,986,778	-	-	-	12,986,778
4,503,123	-	-	-	4,503,123
1,520,751	-	-	-	1,520,751
1,381,703	-	-	-	1,381,703
65,843	-	-	-	65,843
81,593	-	-	-	81,593
<u>134,901,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,901,787</u>
264,546,577	5,583,749	2,294,364	14,061,994	286,486,684
<u>1,597,663</u>	<u>-</u>	<u>-</u>	<u>(1,597,663)</u>	<u>-</u>
266,144,240	5,583,749	2,294,364	12,464,331	286,486,684
<u>1,620,875,223</u>	<u>(5,583,749)</u>	<u>(2,294,364)</u>	<u>(12,464,331)</u>	<u>1,600,532,779</u>
\$ <u><u>1,887,019,463</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,887,019,463</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF PER DIEM PAID TO TRUSTEES
FOR THE YEAR ENDED JUNE 30, 2014

The per diem paid to the trustees is an expenditure of the Expense Fund. For 2014, the trustees received per diem at the rate of \$75.00 for each day of a regularly scheduled meeting of the Board of Trustees that they attended. Particulars of the per diem paid to the trustees for the year ended June 30, 2014 were as follows:

	<u>2014</u>
Travis Crouch	\$ 150
Carl Dabadie	675
Henry Dean	675
Scott Ford	750
Kelly Gibson	750
Willie Joe Greene	900
Mark Huggins	825
Dwayne Munch	450
Joey Normand	750
Larry Reech	675
Donald Villere	825
	<hr/>
	\$ <u><u>6,600</u></u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
JUNE 30, 2014

	<u>Market Value</u>
CASH AND CASH EQUIVALENTS	\$ <u>54,686,148</u>
EQUITIES:	
Domestic	538,077,713
International	361,842,507
Emerging Markets	197,017,907
Total Equities	\$ <u>1,096,938,127</u>
FIXED INCOME:	
State and Municipal Bonds	\$ 4,320,237
Foreign Bonds	11,835,603
Corporate Bonds	98,503,868
U.S. Government Bonds	14,192,225
Other Bonds	28,195,883
High Yield Exchange-Traded Bond Fund	84,854,867
Domestic Index Bond Fund	78,835,247
Total Fixed Income Securities	\$ <u>320,737,930</u>
REAL ESTATE:	
Partnerships	\$ 29,138,192
Land and Rental	750,001
Real Estate Funds	148,099,613
Total Real Estate	\$ <u>177,987,806</u>
ALTERNATIVE INVESTMENTS:	
Hedge Funds	\$ 88,333,971
Private Equity	35,068,323
Total Alternative Investments	\$ <u>123,402,294</u>
TACTICAL ASSET ALLOCATION	\$ <u>78,180,751</u>
TOTAL INVESTMENTS	\$ <u>1,851,933,056</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
EXPENSE FUND:			
Personal Services:			
Staff salaries	\$ 354,804	\$ 370,000	\$ 15,196
Group insurance	56,150	98,000	41,850
Retirement	117,679	115,000	(2,679)
Board member - Per diem	7,425	12,375	4,950
Professional Services:			
Accounting	110,601	97,000	(13,601)
Actuarial	98,200	96,400	(1,800)
Computer services	68,792	90,000	21,208
Risk management	11,975	17,000	5,025
Legal	268,042	209,750	(58,292)
Private investigator services	-	20,000	20,000
Medical Board	8,250	15,000	6,750
Death audit	1,652	4,000	2,348
Retirement Association fees	910	1,500	590
Communications:			
Postage, printing and supplies	46,782	62,000	15,218
Telephone	10,982	13,000	2,018
Travel	14,825	25,500	10,675
Other:			
Equipment rental and repair	32,949	30,000	(2,949)
Election	11,228	15,000	3,772
Advertising	1,360	500	(860)
Board	23,327	30,000	6,673
Document imaging	-	10,000	10,000
Miscellaneous	6,578	5,000	(1,578)
Uniforms	3,078	4,000	922
Medicare	4,071	8,000	3,929
Total expense fund	<u>1,259,660</u>	<u>1,349,025</u>	<u>89,365</u>
BUILDING FUND:			
Association dues	1,200	1,200	-
Maintenance	79,644	88,300	8,656
Building supplies	1,910	6,500	4,590
Security	1,149	3,000	1,851
Utilities	38,140	36,000	(2,140)
Total building fund	<u>122,043</u>	<u>135,000</u>	<u>12,957</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 1,381,703</u>	<u>\$ 1,484,025</u>	<u>\$ 102,322</u>
CAPITAL OUTLAYS	<u>\$ 8,461</u>	<u>\$ 24,000</u>	<u>\$ 15,539</u>

WILLIAM G. STAMM, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.
GRADY C. LLOYD, III, C.P.A.

HEATHER M. JOVANOVICH, C.P.A.
TERRI L. KITTO, C.P.A.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

MICHAEL J. O'ROURKE, C.P.A.
DAVID A. BURGARD, C.P.A.
CLIFFORD J. GIFFIN, Jr., CPA

A.J. DUPLANTIER JR., C.P.A. (1919-1985)
FELIX J. HRAPMANN, JR., C.P.A. (1919-1990)
WILLIAM R. HOGAN, JR., CPA (1920-1996)
JAMES MAHER, JR., C.P.A. (1921-1999)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
WITH GOVERNMENT AUDITING STANDARDS

December 12, 2014

Board of Trustees of the Municipal Police
Employees' Retirement System and Subsidiaries
7722 Office Park Boulevard, Suite 200
Baton Rouge, LA 70809-7601

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Municipal Police Employees' Retirement System and Subsidiaries as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Municipal Police Employees' Retirement System and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the System's internal control. Accordingly, we do not express an opinion on the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Municipal Police Employees' Retirement System and Subsidiaries' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Municipal Police Employees' Retirement System and Subsidiaries for the year ended June 30, 2014 was unmodified.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS:

2. Internal Control:

Material weaknesses: None noted
Significant deficiencies: None noted

3. Compliance and other matters: None noted

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED
GOVERNMENTAL AUDITING STANDARDS

None noted

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

SUMMARY OF PRIOR YEAR FINDINGS:

Internal Control: - Olde Oaks Golf Course

- 13-01 During the prior year audit it was noted that Olde Oaks Golf Course did not have a policy for recognizing revenue on unused gift cards. In addition, gift card transaction activity from the ETS was not being reconciled with the general ledger on a consistent basis. All gift cards should have an expiration date. Upon expiration of the gift card the revenue from the unused card should be reported in the general ledger. Also, the activity per the ETS should be reconciled with the general ledger on a monthly basis. Not having expiration dates on gift cards results in the misstatement of the financial statements. Not properly reconciling the transaction activity per the ETS to the general ledger could result in a misappropriation of funds. We recommended Olde Oaks Golf Course reconcile the activity transactions per the ETS system with that of the general ledger on a monthly basis. In addition, we recommended instituting an expiration date on all gift cards or developing a policy of recognizing revenue on unused cards after they are not redeemed for a specific period of time. The golf course was sold during the current year, as such this is no longer applicable.

Internal Control: - Stonebridge Enterprises, LLC

- 13-02 During the prior year testing of cart fee revenue, we noted that the detail schedule supporting cart fee revenue did not agree with the general ledger balance. Supporting schedules should be reconciled to the general ledger for significant accounts. When supporting schedules are not reconciled to the general ledger it allows for misstatements in the financial statements. These reconciliations are a necessary component element of strong internal control over the accounting procedures. We suggested that supporting schedules be reconciled with general ledger accounts on a regular basis. The golf course was sold during the current year, as such this is no longer applicable.